

**COUNTY OF SAN BERNARDINO  
SPECIAL DISTRICTS  
COUNTY SERVICE AREA No. 79  
GREEN VALLEY LAKE**

**REPORT ON AUDIT**

**JUNE 30, 2006**

**County of San Bernardino Special Districts**  
**County Service Area No. 79**  
**Green Valley Lake**  
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**County of San Bernardino Special Districts  
County Service Area No. 79  
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Board of Supervisors  
County of San Bernardino  
County of San Bernardino Special  
District County Service Area  
No. 79 - Green Valley Lake

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of San Bernardino Special District County Service Area No. 79 - Green Valley Lake (CSA), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2006, which collectively comprise the CSA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the CSA's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the State Controller's Minimum Audit Requirement for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of San Bernardino Special District County Service Area No. 79 - Green Valley Lake, as of June 30, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

The budgetary comparison information on page 23 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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The County of San Bernardino Special District County Service Area No. 79 - Green Valley Lake has not presented the *Management's Discussion and Analysis* that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CSA's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the component unit financial statements taken as a whole.

*Rogers, Anderson Malady & Scott, LLP*

September 15, 2006

**County of San Bernardino Special Districts**  
**County Service Area No. 79 - Green Valley Lake**  
**Statement of Net Assets**  
**June 30, 2006**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 16,960	\$ 591,299	\$ 608,259
Accounts receivable, net	-	107,784	107,784
Interest receivable	556	5,741	6,297
Taxes receivable	10,142	6,700	16,842
Due from other governments	36,568	-	36,568
Capital assets, net of depreciation	313,039	2,086,503	2,399,542
	<hr/>	<hr/>	<hr/>
Total Assets	377,265	2,798,027	3,175,292
	<hr/>	<hr/>	<hr/>
<b>LIABILITIES</b>			
Accounts payable	-	67,012	67,012
Salaries and benefits payable	1,127	-	1,127
	<hr/>	<hr/>	<hr/>
Total Liabilities	1,127	67,012	68,139
	<hr/>	<hr/>	<hr/>
<b>NET ASSETS</b>			
Invested in capital assets	313,039	2,086,503	2,399,542
Unrestricted	63,099	644,512	707,611
	<hr/>	<hr/>	<hr/>
Total Net Assets	\$ 376,138	\$ 2,731,015	\$ 3,107,153
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

**County of San Bernardino Special Districts**  
**County Service Area No. 79 - Green Valley Lake**  
**Statement of Activities**  
**For the Year Ended June 30, 2006**

	Governmental Activities	Business-type Activities	Total
<b>EXPENSES</b>			
Salaries and benefits	\$ 41,216	\$ -	\$ 41,216
Services and supplies	85,813	457,618	543,431
Utilities	-	20,623	20,623
Depreciation	50,366	105,869	156,235
Professional fees	-	253,756	253,756
Filtration project	-	51,833	51,833
Other	-	946	946
Intergovernmental expense	68,632	-	68,632
Total Program Expenses	<u>246,027</u>	<u>890,645</u>	<u>1,136,672</u>
<b>PROGRAM REVENUES</b>			
Charges for services	6,553	745,945	752,498
Net Program Expense	<u>(239,474)</u>	<u>(144,700)</u>	<u>(384,174)</u>
<b>GENERAL REVENUES</b>			
Property taxes	132,126	6,499	138,625
Other taxes	9,774	-	9,774
State assistance	37,370	31,128	68,498
Investment earnings	1,613	17,032	18,645
Other	-	2,504	2,504
Total General Revenues	<u>180,883</u>	<u>57,163</u>	<u>238,046</u>
Change in Net Assets	(58,591)	(87,537)	(146,128)
<b>Net Assets - beginning</b>	<u>434,729</u>	<u>2,818,552</u>	<u>3,253,281</u>
<b>Net Assets - ending</b>	<u>\$ 376,138</u>	<u>\$ 2,731,015</u>	<u>\$ 3,107,153</u>

The accompanying notes are an integral part of these financial statements.

**County of San Bernardino Special Districts  
County Service Area No. 79 - Green Valley Lake  
Balance Sheet  
Governmental Funds  
June 30, 2006**

	SPECIAL REVENUE FUND <u>Fire (SOV)</u>	OTHER GOVERNMENTAL FUNDS	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,085	\$ 7,875	\$ 16,960
Interest receivable	486	70	556
Taxes receivable	10,142	-	10,142
Due from other governments	36,568	-	36,568
	<u>56,281</u>	<u>7,945</u>	<u>64,226</u>
Total Assets	<u>\$ 56,281</u>	<u>\$ 7,945</u>	<u>\$ 64,226</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Salaries and benefits payable	\$ 1,127	\$ -	\$ 1,127
Total Liabilities	<u>1,127</u>	<u>-</u>	<u>1,127</u>
Fund balances:			
Unreserved:			
Undesignated	55,154	7,945	63,099
	<u>55,154</u>	<u>7,945</u>	<u>63,099</u>
Total Fund Balances	<u>55,154</u>	<u>7,945</u>	<u>63,099</u>
Total Liabilities and Fund Balances	<u>\$ 56,281</u>	<u>\$ 7,945</u>	

Amounts reported for *governmental activities* in the statement of net assets (Exhibit A) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

313,039

Net Assets of Governmental Activities

\$ 376,138

The accompanying notes are an integral part of these financial statements.



**County of San Bernardino Special Districts**  
**County Service Area No. 79 - Green Valley Lake**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2006**

	SPECIAL REVENUE FUND	OTHER GOVERNMENTAL FUNDS	Total Governmental Funds
	Fire (SOV)		
<b>REVENUES</b>			
Property taxes	\$ 131,747	\$ 379	\$ 132,126
Special assessments	-	6,553	6,553
Other taxes	9,774	-	9,774
State assistance	37,370	-	37,370
Investment earnings	1,340	273	1,613
	<hr/>	<hr/>	<hr/>
Total Revenues	180,231	7,205	187,436
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
Salaries and benefits	37,923	3,293	41,216
Services and supplies	79,394	6,419	85,813
	<hr/>	<hr/>	<hr/>
Total Expenditures	117,317	9,712	127,029
	<hr/>	<hr/>	<hr/>
Excess of Revenues Over (Under) Expenditures	62,914	(2,507)	60,407
	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(68,632)	-	(68,632)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(68,632)	-	(68,632)
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(5,718)	(2,507)	(8,225)
	<hr/>	<hr/>	<hr/>
<b>Fund Balances - beginning</b>	60,872	10,452	71,324
	<hr/>	<hr/>	<hr/>
<b>Fund Balances - ending</b>	\$ 55,154	\$ 7,945	\$ 63,099
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

**County of San Bernardino Special Districts**  
**County Service Area No. 79 - Green Valley Lake**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balances of Governmental Funds to the**  
**Statement of Activities**  
**For the Year Ended June 30, 2006**

Net Change in Fund Balances - Total Governmental Funds	\$	(8,225)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$50,366) exceeded capital outlay (\$-0-) in the current period.

(50,366)

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Change in Net Assets of Governmental Activities	\$	(58,591)
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(58,591)

The accompanying notes are an integral part of these financial statements.

**County of San Bernardino Special Districts**  
**County Service Area No. 79 - Green Valley Lake**  
**Statement of Net Assets**  
**Proprietary Fund**  
**For the Year Ended June 30, 2006**

	<u>Enterprise Fund</u>
	<u>Sewer</u>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 591,299
Accounts receivable, net	107,784
Interest receivable	5,741
Taxes receivable	6,700
Total Current Assets	<u>711,524</u>
Noncurrent Assets:	
Capital assets:	
Improvements to land	250,022
Vehicles	23,324
Equipment	86,895
Utility plant in service	4,647,780
Accumulated depreciation	<u>(2,921,518)</u>
Total Noncurrent Assets	<u>2,086,503</u>
Total Assets	<u>2,798,027</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	<u>67,012</u>
Total Current Liabilities	<u>67,012</u>
<b>NET ASSETS</b>	
Invested in capital assets	2,086,503
Unrestricted	<u>644,512</u>
Total Net Assets	<u>\$ 2,731,015</u>

The accompanying notes are an integral part of these financial statements.

**County of San Bernardino Special Districts**  
**County Service Area No. 79 - Green Valley Lake**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Fund**  
**For the Year Ended June 30, 2006**

	<u>Enterprise Fund</u>
	<u>Sewer</u>
<b>OPERATING REVENUES</b>	
Sanitation services	\$ 719,707
Connection fees	18,365
Other	7,873
Total Operating Revenues	<u>745,945</u>
<b>OPERATING EXPENSES</b>	
Professional fees	253,756
Services and supplies	457,618
Utilities	20,623
Filtration project	51,833
Depreciation	105,869
Other	946
Total Operating Expenses	<u>890,645</u>
Operating (Loss)	<u>(144,700)</u>
<b>NONOPERATING REVENUES</b>	
Property taxes	6,499
Special assessments	31,128
Investment earnings	17,032
Other	2,504
Total Nonoperating Revenues	<u>57,163</u>
Change in Net Assets	(87,537)
<b>Net Assets - beginning</b>	<u>2,818,552</u>
<b>Net Assets - ending</b>	<u><u>\$ 2,731,015</u></u>

The accompanying notes are an integral part of these financial statements.

**County of San Bernardino Special Districts**  
**County Service Area No. 79 - Green Valley Lake**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2006**

	<u>Enterprise Fund</u>
	<u>Sewer</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 743,200
Payments to suppliers	(737,509)
Other payments	(51,833)
Net Cash (Used for) Operating Activities	<u>(46,142)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Property taxes	464
Special assessments	31,128
Other nonoperating revenues	2,504
Net Cash Provided by Noncapital Financing Activities	<u>34,096</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	(19,999)
Net Cash (Used for) Capital and Related Financing Activities	<u>(19,999)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment earnings	15,400
Net Cash Provided by Investing Activities	<u>15,400</u>
Net Decrease in Cash and Cash Equivalents	(16,645)
Cash and Cash Equivalents– beginning of the year	<u>607,944</u>
Cash and Cash Equivalents– end of the year	<u><u>\$ 591,299</u></u>
<b>Reconciliation of operating (loss) to net cash (used for) operating activities:</b>	
Operating (loss)	\$ (144,700)
Adjustments to reconcile operating (loss) to net cash (used for) operating activities:	
Depreciation expense	105,869
Change in assets and liabilities:	
Increase in accounts receivable, net	(2,745)
Decrease in accounts payable	(4,566)
Net Cash (Used for) Operating Activities	<u><u>\$ (46,142)</u></u>

The accompanying notes are an integral part of these financial statements

**County of San Bernardino Special Districts  
County Service Area No. 79 - Green Valley Lake  
Statement of Fiduciary Assets and Liabilities  
Agency Fund  
June 30, 2006**

**ASSETS**

Cash and cash equivalents	\$ 217,837
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Total Assets	<u>\$ 217,837</u>
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**LIABILITIES**

Due to bondholders	\$ 217,837
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Total Liabilities	<u>\$ 217,837</u>
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The accompanying notes are an integral part of these financial statements

**County of San Bernardino Special Districts  
County Service Area No. 79 - Green Valley Lake  
Notes to Financial Statements  
June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting entity**

The County Service Area (CSA) No. 79 - Green Valley Lake was established by an act of the Board of Supervisors of the County of San Bernardino (the County) on September 7, 1971, with the active powers of fire (inspection, suppression, protection, first aid, and rescue), sewer (collection and disposal), and water and road (maintenance and improvements). Currently, the governmental reporting entity consists of fire protection, emergency medical services, and an enterprise fund (sewer) for the community of Green Valley Lake. The CSA also provides maintenance for approximately one mile of paved road in "The Meadow" area of Green Valley Lake.

The CSA is a component unit of the County of San Bernardino and is governed by the actions of the County Board of Supervisors.

The accompanying financial statements reflect only the accounts of the County Service Area No. 79 - Green Valley Lake of the County of San Bernardino and are not intended to present the financial position of the County taken as a whole.

Because the CSA meets the reporting entity criteria established by the Governmental Accounting Standards Board (GASB), the CSA's financial statements have also been included in the Comprehensive Annual Financial Report of the County as a "component unit" for the fiscal year ended June 30, 2006.

**Government-wide and fund financial statements**

The government-wide financial statements (e.g., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the reporting entity. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**County of San Bernardino Special Districts  
County Service Area No. 79 - Green Valley Lake  
Notes to Financial Statements  
June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. However, for revenue derived from voluntary non-exchange transactions, such as taxes and federal and state grants, the County expanded its definition of "available" to 9 months. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The *special revenue fund* labeled "Fire" is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary fund:

The *enterprise fund* labeled "Sewer" accounts for the sewer activities of the CSA.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principal operating revenue of the CSA enterprise fund is charges to customers for sanitation services. Operating expenses for enterprise funds include the cost of salaries and benefits, services and supplies, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.



**County of San Bernardino Special Districts  
County Service Area No. 79 - Green Valley Lake  
Notes to Financial Statements  
June 30, 2006**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The CSA has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Agency funds are used to account for assets held by the CSA as an agent for individuals, private organizations, other governments and/or other funds. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. The modified accrual of accounting is used for the agency fund. The fund is used to account for the accumulation of resources for, and payment of, the bonds issued under the Improvement Act of 1915 for certain sewer improvements.

**Deposits and investments**

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (e.g., the current portion of interfund loans) or "advances to/from other funds" (e.g., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables are shown net of an allowance for uncollectibles when applicable. The sewer enterprise fund accounts receivable balance at June 30, 2006 for the CSA is net of an allowance for doubtful accounts of \$43,789.

**Property taxes**

Secured property taxes are levied in two equal installments, November 1 and February 1. They become delinquent with penalties on December 10 and April 10, respectively. The lien date is January 1 of each year. Unsecured property taxes are due on the March 1 lien date and become delinquent with penalties on August 31.

**County of San Bernardino Special Districts  
County Service Area No. 79 - Green Valley Lake  
Notes to Financial Statements  
June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Inventories and prepaid items**

Inventories, if any, are valued at cost using the first-in/first-out method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Stewardship, compliance and accountability**

A. Budgetary information

In accordance with provisions of Section 29000 - 29143 of the Government code of the State of California, commonly known as the County Budget Act, the CSA prepares and adopts a budget on or before August 30 for each fiscal year.

Budgets are prepared on the modified accrual basis of accounting. The legal level of budgetary control is the object level and the sub-object level for capital assets within each fund.

Amendments or transfers of appropriations between funds or departments must be approved by the Board. Transfers at the sub-object level or cost center level may be done at the discretion of the Special District's Administration Department head. Any deficiency of budgeted revenues and other financing sources over expenditures and other financing uses is financed by beginning available fund balances as provided for in the County Budget Act.

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

NOTE 2: CASH AND DEPOSITS

Cash and cash equivalents includes the cash balance of monies deposited with the County Treasurer which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to the CSA's account based upon the CSA's average daily deposit balance during the allocation period. Cash and cash equivalents are shown at the fair value as of June 30, 2006.

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of their investment policy and disclosures related to investment credit risk, concentration of credit risk, interest rate risk and custodial credit risk, as required by GASB Statement No. 40.

**County of San Bernardino Special Districts**  
**County Service Area No. 79 - Green Valley Lake**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 3: ACCOUNTS RECEIVABLE**

At June 30, 2006, the accounts receivable were composed of the following:

	Enterprise Fund Sewer
Accounts receivable	\$ 151,573
Less: allowance for uncollectible	(43,789)
Total accounts receivable, net	<u>\$ 107,784</u>

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental activities:</b>				
Capital assets, being depreciated:				
Improvements to land	\$ 59,388	\$ -	\$ -	\$ 59,388
Structures and improvements	128,091	-	-	128,091
Infrastructure	131,675	-	-	131,675
Vehicles	401,642	-	-	401,642
Equipment	5,448	-	(5,448)	-
Total capital assets, being depreciated	<u>726,244</u>	<u>-</u>	<u>(5,448)</u>	<u>720,796</u>
Less accumulated depreciation for:				
Improvements to land	(14,435)	(1,320)	-	(15,755)
Structures and improvements	(47,134)	(2,846)	-	(49,980)
Infrastructure	(42,794)	(3,292)	-	(46,086)
Vehicles	(253,028)	(42,908)	-	(295,936)
Equipment	(5,448)	-	5,448	-
Total accumulated depreciation	<u>(362,839)</u>	<u>(50,366)</u>	<u>5,448</u>	<u>(407,757)</u>
Governmental activities capital assets, net	<u>\$ 363,405</u>	<u>\$ (50,366)</u>	<u>\$ -</u>	<u>\$ 313,039</u>

**County of San Bernardino Special Districts**  
**County Service Area No. 79 - Green Valley Lake**  
**Notes to Financial Statements**  
**June 30, 2006**

NOTE 4: CAPITAL ASSETS (continued)

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Improvements to land	\$ 250,022	\$ -	\$ -	\$ 250,022
Utility plant in-service	4,647,780	-	-	4,647,780
Vehicles	23,324	-	-	23,324
Equipment	66,896	19,999	-	86,895
Total capital assets, being depreciated	4,988,022	19,999	-	5,008,021
Less Accumulated depreciation for:				
Improvements to land	(16,668)	-	-	(16,668)
Utility plant in-service	(2,727,803)	(103,284)	-	(2,831,087)
Vehicles	(23,324)	-	-	(23,324)
Equipment	(47,854)	(2,585)	-	(50,439)
Total accumulated depreciation	(2,815,649)	(105,869)	-	(2,921,518)
Business-type activities capital assets, net	<u>\$ 2,172,373</u>	<u>\$ (85,870)</u>	<u>\$ -</u>	<u>\$ 2,086,503</u>

NOTE 5: RETIREMENT PLAN

**Plan description**

The San Bernardino County Employees' Retirement Association (SBCERA) is a cost-sharing multiple-employer defined benefit pension plan (the Plan) operating under the California County Employees Retirement Act of 1937 (1937 Act). It provides retirement, death, and disability benefits to members. Although legally established as a single employer plan, the City of Big Bear Lake, the City of Chino Hills, the California State Association of Counties, the San Bernardino County Law Library, Crest Forest Fire Protection District, Mojave Desert Air Quality Management District (the MDAQMD) and the South Coast Air Quality Management District (the AQMD), were later included, along with the County of San Bernardino (the County), and are collectively referred to as the "Participating Members". The plan is governed by the San Bernardino Board of Retirement under the 1937 Act. Employees become eligible for membership on their first day of regular employment and become fully vested after 5 years. SBCERA issues a stand-alone financial report, which may be obtained by contacting the Board of Retirement, 348 W Hospitality Lane - 3<sup>rd</sup> floor, San Bernardino, California 92415-0014.

**County of San Bernardino Special Districts**  
**County Service Area No. 79 - Green Valley Lake**  
**Notes to Financial Statements**  
**June 30, 2006**

NOTE 5: RETIREMENT PLAN (continued)

**Fiduciary responsibility**

The Retirement Association is controlled by its own board, the Retirement Board, which acts as a fiduciary agent for the accounting and control of member and employee contributions and investment income. The Retirement Association publishes its own Comprehensive Annual Financial Report and receives a separate independent audit. The Retirement Association is also a legally separate entity from the County and not a component unit. For these reasons, the County's Comprehensive Annual Financial Report excludes the Retirement Association pension trust fund as of June 30, 2006.

**Funding policy**

Participating members are required by statute (Sections 31621, 31621.2 and 31639.25 of the California Government Code) to contribute a percentage of covered salary based on certain actuarial assumptions and their age at entry to the Plan. Employee contribution rates vary according to age and classification (general or safety). Members are required to contribute 8.89% - 12.65% for general members and 10.85% - 14.77% for safety members, of their annual covered salary of which the County pays approximately 7%. County of San Bernardino employer contribution rates are as follow: County General 10.8%, County Safety 23.84%. All employers combined are required to contribute 13.01% of the current year covered payroll. For 2006, the County's annual pension cost of \$166,614,000 was equal to the County's required and actual contributions. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act. Employer rates are determined pursuant to Section 31453 of the 1937 Act.

The County's annual pension cost and prepaid asset, computed in accordance with GASB 27, *Accounting for Pensions by State and Local Governmental Employers*, for the year ended June 30, 2006, were as follows (in thousands):

Annual Required Contribution (County fiscal year basis)	\$ 166,614
Interest on Pension Assets	(34,207)
Adjustment to the Annual Required Contribution	40,156
Annual Pension Cost	172,563
Annual Contributions Made	166,614
Increase/(Decrease) in Pension Assets	(5,949)
Pension Assets, Beginning of Year	844,882
Pension Assets, End of Year	<u>\$ 838,933</u>

**County of San Bernardino Special Districts  
County Service Area No. 79 - Green Valley Lake  
Notes to Financial Statements  
June 30, 2006**

**NOTE 5: RETIREMENT PLAN (continued)**

The following table shows the County's required contributions and percentage contributed, for the current year and two preceding years:

<b>Year Ended June 30,</b>	<b>Annual Contributions Made (in thousands)</b>		<b>Percentage Contributed</b>
	<b>SBCERA</b>	<b>County</b>	
2004	\$ 652,325	\$ 540,106	100%
2005	\$ 161,906	\$ 141,450	100%
2006	\$ 197,343	\$ 166,614	100%

The County, along with the AQMD, issued Pension Refunding Bonds (the Bonds) in November 1995 with an aggregate amount of \$420,527,000. These Bonds were issued to allow the County and the AQMD to refinance each of their unfunded accrued actuarial liabilities with respect to retirement benefits for their respective employees. The Bonds are the obligations of the employers participating in the Plan and the assets of the Plan do not secure the Bonds. The County's portion of the bond issuance was \$386,266,000. The current amount outstanding at June 30, 2006 is \$439,879,000.

On June 24, 2004, the County issued its County of San Bernardino Pension Obligation Bonds, Series 2004 A (Fixed Rate Bonds), its County of San Bernardino Pension Obligation Bonds, Series 2004 B (Auction Rate Bonds), and its County of San Bernardino Pension Obligation Bonds, Series 2004 C (Index Bonds) in a respective aggregate principal amounts of \$189,070,000, \$149,825,000 and \$125,000,000. The Bonds were issued to finance the County's share of the unfunded accrued actuarial liability of the SBCERA. The current amount outstanding at June 30, 2006 is \$461,665,000.

**NOTE 6: FEDERAL AND STATE GRANTS**

From time to time the CSA may receive funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although the CSA expects such amounts, if any, to be immaterial.

**County of San Bernardino Special Districts  
County Service Area No. 79 - Green Valley Lake  
Notes to Financial Statements  
June 30, 2006**

**NOTE 7: RISK MANAGEMENT**

The CSA is insured through the County's self-insurance programs for public liability, property damage, unemployment insurance, employee dental insurance, hospital and medical malpractice liability, and workers' compensation claims. Public liability claims are self-insured for up to \$1 million per occurrence. Excess insurance coverage over the Self-Insured Retention (SIR) up to \$25 million is provided through a Risk Pool Agreement with California State Association of Counties (CSAC) Excess Insurance Authority ("EIA") Liability Program II. Workers' compensation claims are self-insured up to \$2 million per occurrence, and covered by CSAC EIA for up to \$10 million for employer's liability, and up to \$50 million for workers' compensation per occurrence. Property damage claims are insured on an occurrence basis over a \$25,000 deductible, and insured with CSAC EIA Property Program.

The County supplements its self-insurance for medical malpractice claims with CSAC EIA, which provides annual coverage on a claim made form basis with a SIR of \$1 million for each claim. Maximum coverage under the policy is \$11.5 million per claim with an additional \$10 million in limits provided by the CSAC EIA General Liability II Program.

All public officials and County employees are insured under a blanket Comprehensive Disappearance, Destruction, and Dishonesty policy covering County monies and securities, also with CSAC EIA with a \$100,000 deductible, and excess limits up to \$10 million per occurrence.

The activities related to such programs are accounted for in the County's Risk Management Fund (an Internal Service Fund) except for unemployment insurance, and employee dental insurance, which are accounted for in the County's General Fund. The IBNR and IBNS liabilities stated on the Risk Management Fund's balance sheet are based upon the results of actuarial studies, and include amounts for allocated and unallocated loss adjustment expenses. The liabilities for these claims are reported using a discounted rate of 4.25%. It is the County's practice to obtain actuarial studies on an annual basis.

The County has a risk management investment program agreement with the Bank of New York to finance the self-insured general liability, automobile liability, workers' compensation, and medical malpractice programs. The County's investment in the agreement totaled \$47.7 million at June 30, 2006.

The total claims liability of \$127.2 million reported at June 30, 2006 is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. Changes in the claims liability amount in fiscal years 2005 and 2006 were:

<b>Fiscal Year</b>	<b>Beginning of Fiscal Year Liability (in thousands)</b>	<b>Current Year Claims and Changes in Estimates (in thousands)</b>	<b>Claims Payments (in thousands)</b>	<b>End of Fiscal Year Liability (in thousands)</b>
2004 - 05	\$ 101,709	\$ 44,309	\$ (30,304)	\$ 115,714
2005 - 06	\$ 115,714	\$ 46,926	\$ (35,407)	\$ 127,233

**County of San Bernardino Special Districts  
County Service Area No. 79 - Green Valley Lake  
Notes to Financial Statements  
June 30, 2006**

**NOTE 8: PROPOSITION 111 APPROPRIATION LIMITS**

Proposition 111, which added Article XIIIB to the State Constitution, established limits on budget appropriations in order to restrict government spending. We have reviewed the proceeds of taxes received by the District during the 2005-2006 fiscal year, and have found the revenue to be within the guidelines established by Proposition 111.

**NOTE 9: SPECIAL ASSESSMENT ACCOUNTING – 1915 ACT BONDS**

The CSA issued bonds under the Improvement Act of 1915 to finance certain sewer improvements. The CSA reports 1915 Act Bonds according to the provisions of the Government Accounting Standards Boards Statement No. 6. The bonds are not a direct liability of the CSA and therefore are not reported on the CSA's financial statements. The portion of the Utility Plant in Service financed by Special Assessments amounting to \$460,662, is reported as Invested in Capital Assets, Net of Related Debt in the Enterprise Fund. The liability for each Assessment District at June 30, 2006 is \$-0-.

**NOTE 10: WASTEWATER TRANSPORTATION, TREATMENT AND DISPOSAL AGREEMENT  
WITH RUNNING SPRINGS WATER DISTRICT**

The CSA entered into a forty (40) year agreement with the Running Springs County Water District (District) on May 9, 1977. The agreement provides transportation of wastewater from the CSA to a connecting point within the District wastewater system and to provide proportionate joint financing for enlargement of the District system to treat the projected flows from the CSA and the District. The District will provide final transportation, treatment and disposal of these wastewater flows and bill the CSA for their proportionate share of costs in accordance with the terms of the agreement.

As compensation for transportation, treatment and disposal of their wastewater, the CSA shall pay a proportionate share of the operation and maintenance expense of the jointly used facilities. The payment will be made based on a three-month accounting period commencing on January 1<sup>st</sup>, April 1<sup>st</sup>, July 1<sup>st</sup>, or October 1<sup>st</sup>. Additionally, an amount equal to fifteen percent (15%) of the CSA's proportionate share of operations and maintenance expenses will be paid to the District to cover overhead and indirect expenses.

Expansion or modifications or replacement of joint use facilities will be assessed to the CSA in proportion to the ratio of assessed valuation of the District, the CSA and Arrowbear at the time that the projects are approved by the District. These costs shall be included in a written notification to the CSA no later than March 1<sup>st</sup> of each year. The CSA is currently paying their proportionate share (21.08%) on a filtration project, which was financed over fifteen years beginning on September 21, 2002. The loan to the District will mature on March 21, 2017.

Any net income the District may receive from the wastewater or by-products of treatment shall be shared by the District, Arrowbear and the CSA on a proportionate share basis.

The CSA has an option to renew the agreement for an additional forty years if they exercise the option to renew at least three years prior to the expiration date of the agreement by sending a written notice to the District. The current agreement will expire on May 9, 2017.



**County of San Bernardino Special Districts  
County Service Area No. 79 - Green Valley Lake  
Notes to Financial Statements  
June 30, 2006**

**NOTE 10: WASTEWATER TRANSPORTATION, TREATMENT AND DISPOSAL AGREEMENT  
WITH RUNNING SPRINGS WATER DISTRICT (continued)**

The CSA incurred the following costs in FY 05/06 based on the agreement.

Wastewater transportation, treatment and disposal	\$ 222,827
Expansion or modification or replacement (Filtration project)	<u>51,833</u>
Total Costs	<u><u>\$ 274,660</u></u>

**NOTE 11: CONTINGENCIES**

As of June 30, 2006, in the opinion of the CSA Administration, there are no outstanding matters, which would have a significant effect on the financial position of the CSA.

**Required Supplementary Information**  
**County of San Bernardino Special Districts**  
**County Service Area No. 79 - Green Valley Lake**  
**Budgetary Comparison Schedule - Special Revenue Fund**  
**For the Year Ended June 30, 2006**

SPECIAL REVENUE FUND				
Fire (SOV)				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 125,307	\$ 125,307	\$ 131,747	\$ 6,440
Other taxes	-	-	9,774	9,774
State assistance	-	-	37,370	37,370
Federal assistance	20,000	20,000	-	(20,000)
Investment earnings	1,000	1,000	1,340	340
Total Revenues	146,307	146,307	180,231	33,924
<b>EXPENDITURES</b>				
Salaries and benefits	57,218	57,218	37,923	19,295
Services and supplies	78,360	78,360	79,394	(1,034)
Reserves and contingencies	3,873	3,873	-	3,873
Total Expenditures	139,451	139,451	117,317	22,134
Excess of Revenues Over (Under) Expenditures	6,856	6,856	62,914	56,058
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(68,632)	(68,632)	(68,632)	-
Total Other Financing Sources (Uses)	(68,632)	(68,632)	(68,632)	-
Net Change in Fund Balance	<u>\$ (61,776)</u>	<u>\$ (61,776)</u>	(5,718)	<u>\$ 56,058</u>
<b>Fund Balance - beginning</b>			60,872	
<b>Fund Balance - ending</b>			<u>\$ 55,154</u>	

**County of San Bernardino Special Districts  
County Service Area No. 79 - Green Valley Lake  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2006**

	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	Total Nonmajor Governmental Funds (see Exhibit C)
	R-1 Meadow Green Valley Lake (RCP)	Earthquake Repair (CBR)	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,205	\$ 1,670	\$ 7,875
Interest receivable	70		70
Total Assets	<u>\$ 6,275</u>	<u>\$ 1,670</u>	<u>\$ 7,945</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:			
Unreserved:			
Undesignated	<u>6,275</u>	<u>1,670</u>	<u>7,945</u>
Total Fund Balances	<u>6,275</u>	<u>1,670</u>	<u>7,945</u>
Total Liabilities and Fund Balances	<u>\$ 6,275</u>	<u>\$ 1,670</u>	<u>\$ 7,945</u>

**County of San Bernardino Special Districts  
County Service Area No. 79 - Green Valley Lake  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2006**

	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	Total Nonmajor Governmental Funds (see Exhibit D)
	R-1 Meadow Green Valley Lake (RCP)	Earthquake Repair (CBR)	
<b>REVENUES</b>			
Property taxes	\$ 379	\$ -	\$ 379
Special assessments	6,553	-	6,553
Investment earnings	233	40	273
	<hr/>	<hr/>	<hr/>
Total Revenues	7,165	40	7,205
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
Salaries and benefits	3,293	-	3,293
Services and supplies	6,419	-	6,419
	<hr/>	<hr/>	<hr/>
Total Expenditures	9,712	-	9,712
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	(2,547)	40	(2,507)
	<hr/>	<hr/>	<hr/>
<b>Fund Balances - beginning</b>	8,822	1,630	10,452
	<hr/>	<hr/>	<hr/>
<b>Fund Balances - ending</b>	\$ 6,275	\$ 1,670	\$ 7,945
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>